GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

February 28, 2017

Kevin Allen
Superintendent
Iraan-Sheffield Independent School District
P.O. Box 486
Iraan, Texas 78744-0486

Re: Certificate for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes by and between Iraan-Sheffield Independent School District and Midway Solar, LLC, Application 1170

Dear Superintendent Allen:

On February 15, 2017, the Comptroller issued written notice that Midway Solar, LLC (applicant) submitted a completed application (Application 1170) for a limitation on appraised value under the provisions of Tax Code Chapter 313[1]. This application was originally submitted on November 7, 2016, to the Iraan-Sheffield Independent School District (school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the Comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has requested a waiver to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application 1170.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

[1] All statutory references are to the Texas Tax Code, unless otherwise noted.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district's maintenance and operations *ad valorem tax* revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period, see Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state, see Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement by December 31, 2017.

Note that any building or improvement existing as of the application review start date of February 15, 2017, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Will Counihan, Director, Data Analysis & Transparency, by email at will.counihan@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 6-0758, or at 512-936-0758.

Sincerely,

Mike Reissig
Deputy Comptroller

Enclosure

cc: Will Counihan

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of Midway Solar, LLC (project) applying to Iraan-Sheffield Independent School District (district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of Midway Solar, LLC.

Applicant	Midway Solar, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation
School District	Iraan- Sheffield ISD
2015-2016 Average Daily Attendance	467
County	Pecos
Proposed Total Investment in District	$275,917,000
Proposed Qualified Investment	$275,917,000
Limitation Amount	$30,000,000
Qualifying Time Period (Full Years)	2018-2019
Number of new qualifying jobs committed to by applicant	2*
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	$1,115
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$1,115
Minimum annual wage committed to by applicant for qualified jobs	$58,000
Minimum weekly wage required for non-qualifying jobs	$828
Minimum annual wage required for non-qualifying jobs	$43,044
Investment per Qualifying Job	$137,958,500
Estimated M&O levy without any limit (15 years)	$18,584,171
Estimated M&O levy with Limitation (15 years)	$6,104,720
Estimated gross M&O tax benefit (15 years)	$12,479,451
** Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).*	

Table 2 is the estimated statewide economic impact of Midway Solar, LLC (modeled).

	Employment			Personal Income		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2017	178	122	300	$7,837,872	$8,763,688	$16,601,560
2018	180	152	332.03	$7,953,840	$12,676,040	$20,629,880
2019	2	49	51	$116,000	$5,621,300	$5,737,300
2020	2	21	23	$116,000	$3,790,250	$3,906,250
2021	2	8	10	$116,000	$2,325,410	$2,441,410
2022	2	(4)	-2	$116,000	$1,348,840	$1,464,840
2023	2	(4)	-2	$116,000	$738,490	$854,490
2024	2	(10)	-8	$116,000	$250,210	$366,210
2025	2	(4)	-2	$116,000	$6,070	$122,070
2026	2	(8)	-6	$116,000	-$604,280	-$488,280
2027	2	(10)	-8	$116,000	-$604,280	-$488,280
2028	2	(4)	-2	$116,000	-$604,280	-$488,280
2029	2	(10)	-8	$116,000	-$604,280	-$488,280
2030	2	(12)	-10	$116,000	-$848,420	-$732,420
2031	2	(12)	-10	$116,000	-$1,336,700	-$1,220,700
2032	2	(12)	-10	$116,000	-$1,580,840	-$1,464,840
2033	2	(12)	-10	$116,000	-$1,092,560	-$976,560

Source: CPA REMI, Midway Solar, LLC

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives											
Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Iraan-Sheffield ISD I&S Tax Levy	Iraan-Sheffield ISD M&O Tax Levy	Iraan-Sheffield ISD M&O and I&S Tax Levies	Pecos County Tax Levy	Iraan General Hospital District Tax Levy	Midland College Williams Regional Technical Training Center Tax Levy	Middle Pecos Groundwater Conservation District Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.0900	1.0600		0.6999	0.1896	0.0255	0.0250	
2019	$275,917,000	$275,917,000		$248,325	$2,924,720	$3,173,046	$1,931,143	$523,139	$70,359	$68,979	$5,766,665
2020	$234,529,450	$234,529,450		$211,077	$2,486,012	$2,697,089	$1,641,472	$444,668	$59,805	$58,632	$4,901,666
2021	$199,350,033	$199,350,033		$179,415	$2,113,110	$2,292,525	$1,395,251	$377,968	$50,834	$49,838	$4,166,416
2022	$169,447,528	$169,447,528		$152,503	$1,796,144	$1,948,647	$1,185,963	$321,273	$43,209	$42 362	$3,541,453
2023	$144,030,398	$144,030,398		$129,627	$1,526,722	$1,656,350	$1,008,069	$273,082	$36,728	$36,008	$3,010,235
2024	$122,425,839	$122,425,839		$110,183	$1,297,714	$1,407,897	$856,858	$232,119	$31,219	$30,606	$2,558,700
2025	$104,061,962	$104,061,962		$93,656	$1,103,057	$1,196,713	$728,330	$197,301	$26,536	$26,015	$2,174,895
2026	$88,452,668	$88,452,668		$79,607	$937,598	$1,017,206	$619,080	$167,706	$22,555	$22,113	$1,848,661
2027	$75,184,768	$75,184,768		$67,666	$796,959	$864,625	$526,218	$142,550	$19,172	$18,796	$1,571,362
2028	$63,907,052	$63,907,052		$57,516	$677,415	$734,931	$447,285	$121,168	$16,296	$15,977	$1,335,657
2029	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$104,628	$14,072	$13,796	$1,153,333
2030	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$104,628	$14,072	$13,796	$1,153,333
2031	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$104,628	$14,072	$13,796	$1,153,333
2032	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$104,628	$14,072	$13,796	$1,153,333
2033	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$104,628	$14,072	$13,796	$1,153,333
			Total	$1,577,901	$18,584,171	$20,162,073	$12,270,813	$3,324,112	$447,072	$438,306	$36,642,375

Source: CPA, Midway Solar, LLC

[1]Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Pecos County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with Pecos County, Iraan General Hospital District, Midland College Williams Regional Technical Training Center, and Middle Pecos Groundwater Conservation District.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Table 4 Estimated Direct Ad Valorem Taxes with all property tax incentives sought

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Iraan-Sheffield ISD I&S Tax Levy	Iraan-Sheffield ISD M&O Tax Levy	Iraan-Sheffield ISD M&O and I&S Tax Levies	Pecos County Tax Levy	Iraan General Hospital District Tax Levy	Midland College Williams Regional Technical Training Center Tax Levy	Middle Pecos Groundwater Conservation District Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.0900	1.0600		0.6999	0.1896	0.0255	0.0250	
2019	$275,917,000	$30,000,000		$248,325	$318,000	$566,325	$386,229	$104,628	$14,072	$13,796	$1,085,049
2020	$234,529,450	$30,000,000		$211,077	$318,000	$529,077	$328,294	$88,934	$11,961	$11,726	$969,992
2021	$199,350,033	$30,000,000		$179,415	$318,000	$497,415	$279,050	$75,594	$10,167	$9,968	$872,193
2022	$169,447,528	$30,000,000		$152,503	$318,000	$470,503	$237,193	$64,255	$8,642	$8,472	$789,064
2023	$144,030,398	$30,000,000		$129,627	$318,000	$447,627	$201,614	$54,616	$7,346	$7,202	$718,405
2024	$122,425,839	$30,000,000		$110,183	$318,000	$428,183	$171,372	$46,424	$6,244	$6,121	$658,344
2025	$104,061,962	$30,000,000		$93,656	$318,000	$411,656	$145,666	$39,460	$5,307	$5,203	$607,292
2026	$88,452,668	$30,000,000		$79,607	$318,000	$397,607	$123,816	$33,541	$4,511	$4,423	$563,898
2027	$75,184,768	$30,000,000		$67,666	$318,000	$385,666	$105,244	$28,510	$3,834	$3,759	$527,014
2028	$63,907,052	$30,000,000		$57,516	$318,000	$375,516	$89,457	$24,234	$3,259	$3,195	$495,662
2029	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$20,926	$2,814	$2,759	$1,047,337
2030	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$104,628	$14,072	$2,759	$1,142,296
2031	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$104,628	$14,072	$13,796	$1,153,333
2032	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$104,628	$14,072	$13,796	$1,153,333
2033	$55,183,400	$55,183,400		$49,665	$584,944	$634,609	$386,229	$104,628	$14,072	$13,796	$1,153,333
			Total	$1,577,901	$6,104,720	$7,682,622	$3,999,077	$999,631	$134,444	$120,771	$12,936,545
			Diff	$0	$12,479,451	$12,479,451	$8,271,736	$2,324,481	$312,628	$317,535	$23,705,830

Assumes School Value Limitation and Tax Abatements with the County.

Source: CPA, Midway Solar, LLC

[1]Tax Rate per $100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue before 25th Anniversary of Limitation Start

This represents the Comptroller's determination that Midway Solar, LLC (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2016	$0	$0	$0	$0
	2017	$0	$0	$0	$0
	2018	$0	$0	$0	$0
Limitation Period (10 Years)	2019	$318,000	$318,000	$2,606,720	$2,606,720
	2020	$318,000	$636,000	$2,168,012	$4,774,732
	2021	$318,000	$954,000	$1,795,110	$6,569,843
	2022	$318,000	$1,272,000	$1,478,144	$8,047,987
	2023	$318,000	$1,590,000	$1,208,722	$9,256,709
	2024	$318,000	$1,908,000	$979,714	$10,236,423
	2025	$318,000	$2,226,000	$785,057	$11,021,479
	2026	$318,000	$2,544,000	$619,598	$11,641,078
	2027	$318,000	$2,862,000	$478,959	$12,120,036
	2028	$318,000	$3,180,000	$359,415	$12,479,451
Maintain Viable Presence (5 Years)	2029	$584,944	$3,764,944	$0	$12,479,451
	2030	$584,944	$4,349,888	$0	$12,479,451
	2031	$584,944	$4,934,832	$0	$12,479,451
	2032	$584,944	$5,519,776	$0	$12,479,451
	2033	$584,944	$6,104,720	$0	$12,479,451
Additional Years as Required by 313.026(c)(1) (10 Years)	2034	$584,944	$6,689,664	$0	$12,479,451
	2035	$584,944	$7,274,608	$0	$12,479,451
	2036	$584,944	$7,859,552	$0	$12,479,451
	2037	$584,944	$8,444,496	$0	$12,479,451
	2038	$584,944	$9,029,440	$0	$12,479,451
	2039	$584,944	$9,614,384	$0	$12,479,451
	2040	$584,944	$10,199,328	$0	$12,479,451
	2041	$584,944	$10,784,273	$0	$12,479,451
	2042	$584,944	$11,369,217	$0	$12,479,451
	2043	$584,944	$11,954,161	$0	$12,479,451

$11,954,161	is less than	**$12,479,451**

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	No

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, Midway Solar, LLC

	Employment			Personal Income			Revenue & Expenditure		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2017	178	122	300	$7,837,872	$8,763,688	$16,601,560	907900	-549320	$1,457,220
2018	180	152	332.03	$7,953,840	$12,676,040	$20,629,880	1159670	-373840	$1,533,510
2019	2	49	51	$116,000	$5,621,300	$5,737,300	312810	366210	-$53,400
2020	2	21	23	$116,000	$3,790,250	$3,906,250	183110	389100	-$205,990
2021	2	8	10	$116,000	$2,325,410	$2,441,410	99180	350950	-$251,770
2022	2	(4)	-2	$116,000	$1,348,840	$1,464,840	22890	305180	-$282,290
2023	2	(4)	-2	$116,000	$738,490	$854,490	-15260	236510	-$251,770
2024	2	(10)	-8	$116,000	$250,210	$366,210	-22890	198360	-$221,250
2025	2	(4)	-2	$116,000	$6,070	$122,070	-61040	137330	-$198,370
2026	2	(8)	-6	$116,000	-$604,280	-$488,280	-76290	76290	-$152,580
2027	2	(10)	-8	$116,000	-$604,280	-$488,280	-99180	7630	-$106,810
2028	2	(4)	-2	$116,000	-$604,280	-$488,280	-106810	-30520	-$76,290
2029	2	(10)	-8	$116,000	-$604,280	-$488,280	-137330	-61040	-$76,290
2030	2	(12)	-10	$116,000	-$848,420	-$732,420	-167850	-114440	-$53,410
2031	2	(12)	-10	$116,000	-$1,336,700	-$1,220,700	-198360	-175480	-$22,880
2032	2	(12)	-10	$116,000	-$1,580,840	-$1,464,840	-205990	-198360	-$7,630
2033	2	(12)	-10	$116,000	-$1,092,560	-$976,560	-221250	-274660	$53,410
2034	2	(12)	-10	$116,000	-$1,336,700	-$1,220,700	-251770	-274660	$22,890
2035	2	(12)	-10	$116,000	-$1,824,980	-$1,708,980	-297550	-328060	$30,510
2036	2	(14)	-12	$116,000	-$2,069,130	-$1,953,130	-305180	-389100	$83,920
2037	2	(16)	-14	$116,000	-$2,557,410	-$2,441,410	-373840	-457760	$83,920
2038	2	(20)	-18	$116,000	-$3,533,970	-$3,417,970	-396730	-480650	$83,920
2039	2	(20)	-18	$116,000	-$2,801,550	-$2,685,550	-396730	-549320	$152,590
2040	2	(18)	-16	$116,000	-$4,266,390	-$4,150,390	-457760	-640870	$183,110
2041	2	(20)	-18	$116,000	-$4,022,250	-$3,906,250	-488280	-701900	$213,620
2042	2	(22)	-20	$116,000	-$4,266,390	-$4,150,390	-549320	-717160	$167,840
2043	2	(27)	-25	$116,000	-$5,487,090	-$5,371,090	-564580	-732420	$167,840
2044	2	(27)	-25	$116,000	-$5,487,090	-$5,371,090	-579830	-747680	$167,850
						Total	**-$3,288,260**	**-$5,729,680**	**$2,441,420**
							$14,395,581	**is greater than**	**$12,479,451**

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that "the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state." This represents the basis for the Comptroller's determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller has determined that the limitation on appraised value is a determining factor in the Midway Solar LLC's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per Midway Solar LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  A. "The applicant's parent company for this project is an national solar developer with the ability to locate projects of this type in other countries and states in the US with strong solar characteristics. The applicant is actively developing and constructing other projects throughout the US and internationally. Projects in active development which are competing with Midway Solar for capital and corporate commitment to construct are located in: AZ, NV, UT, WY, and FL; with other markets under consideration as well."
  B. "The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely."
  C. "Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets over Texas."
  D. "The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the

project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis."

E. "This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies, the other states offer a much higher rate of return for the project financiers. Without the tax incentives in Texas, a project with a power purchase agreement becomes unfinanciable."

- According to www.transmissionhub.com_news article dated October 4, 2016, "Electric Transmission Texas LLC filed with the Public Utility Commission of Texas on Oct. 4 a Standard Generation Interconnection Agreement with Midway Solar LLC for a 182-MW (net at the Point of Interconnection) project in Pecos County. Midway Solar's Waymark Substation, needed to support this project, will be located in Pecos County, about 0.5 miles east of the intersection of Ranch Road 1901 and Co-op Road. The substation will interconnect with a 345-kV transmission line that runs for about five miles out of ETT's Bakersfield 345-kV Station. The project will be made up of 65 inverters at 2.8 MW (ac) each, fed by the output from Hanwha Q Cells photovoltaic panels."
- According to The Fort Stockton Pioneer article dated October 13, 2016, states "the Pecos County Commissioners Court met in regular session on Tuesday, Oct. 11, 2016, and immediately moved into the public hearing on designating the RZ Midway Solar Reinvestment Zone, under the provisions of the Texas Tax Code 312.401."

Supporting Information

a) Section 8 of the Application for a Limitation on Appraised Value
b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
c) Additional information provided by the Applicant or located by the Comptroller

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☑ Yes ☐ No
2. The property will be used for one of the following activities:
   - (1) manufacturing ☐ Yes ☑ No
   - (2) research and development ☐ Yes ☑ No
   - (3) a clean coal project, as defined by Section 5.001, Water Code ☐ Yes ☑ No
   - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code ☐ Yes ☑ No
   - (5) renewable energy electric generation ☑ Yes ☐ No
   - (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☑ No
   - (7) nuclear electric power generation ☐ Yes ☑ No
   - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☑ No
   - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☑ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☑ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☑ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☑ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☑ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☑ No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:
   - ☐ Land has no existing improvements
   - ☑ Land has existing improvements *(complete Section 13)*
   - ☐ Expansion of existing operation on the land *(complete Section 13)*
   - ☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? ☐ Yes ☑ No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? ☑ Yes ☐ No
3. Does the applicant have current business activities at the location where the proposed project will occur? ☐ Yes ☑ No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? ☐ Yes ☑ No
5. Has the applicant received any local or state permits for activities on the proposed project site? ☐ Yes ☑ No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? ☐ Yes ☑ No
7. Is the applicant evaluating other locations not in Texas for the proposed project? ☒ Yes ☐ No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? ☐ Yes ☑ No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? ☐ Yes ☑ No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? ☑ Yes ☐ No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

TAB 5

Documentation to assist in determining if limitation is a determining factor

The applicant's parent company for this project is an national solar developer with the ability to locate projects of this type in other countries and states in the US with strong solar characteristics. The applicant is actively developing and constructing other projects throughout the US and internationally. Projects in active development which are competing with Midway Solar for capital and corporate commitment to construct are located in: AZ, NV, UT, WY, and FL; with other markets under consideration as well.

The applicant requires this appraised value limitation in order to move forward with constructing this project in Texas. Specifically, without the available tax incentives, the economics of the project become unappealing to investors and the likelihood of constructing the project in Texas becomes unlikely.

Property taxes can be the highest operating expense for a solar generation facility as solar plants do not have any associated fuel costs for the production of electricity, and with Texas wholesale electricity prices already below the national average in Texas, it is necessary to limit the property tax liabilities for a solar project in order to be able to offer electricity at prices that are marketable to Texas customers at competitive rates, including power sales under a bi-lateral contract. Markets such as California that have state wide available subsidies for renewable energy projects, and which have higher average contracted power rates, offer an attractive incentive for developers to build projects in those markets over Texas.

The property tax liabilities of a project without tax incentives in Texas lowers the return to investors and financiers to an unacceptable level at today's contracted power rates under a power purchase agreement. As such, the applicant is not able to finance and build its project in Texas even with a signed power purchase agreement because of the low price in the power purchase agreement. Without the tax incentive, the applicant would be forced to abandon the project and spend its development capital and prospective investment funds in other states where the rate of return is higher on a project basis.

This is true even if the entity is able to contract with an off-taker under a power purchase agreement because the low rate contracted for is not financeable without the tax incentives. More specifically, a signed power purchase agreement in the Texas market is at a much lower rate than other states because of competitively low electricity prices. Other states have high electricity prices where a developer can obtain a PPA with a much higher contracted rate, combined with state subsidies, the other states offer a much higher rate of return for the project financiers. Without the tax incentives in Texas, a project with a power purchase agreement becomes unfinanciable.

Supporting Information

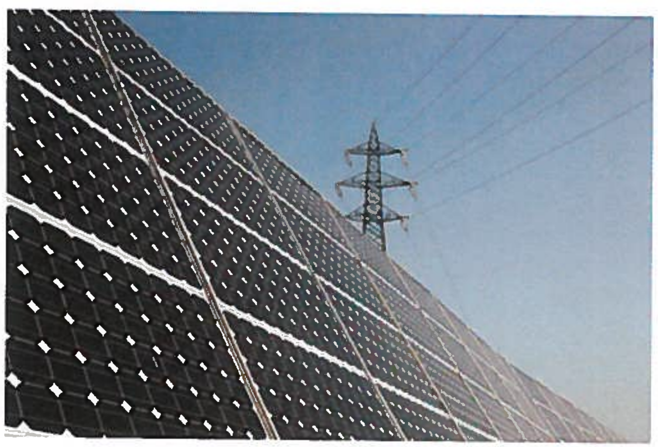
Additional information provided by the Applicant or located by the Comptroller

Electric Transmission Texas files interconnect for 182-MW Midway Solar project

The project will be made up of 65 inverters at 2.8 MW (ac) each

10/04/2016

By Barry Cassell
Chief Analyst



Electric Transmission Texas LLC filed with the Public Utility Commission of Texas on Oct. 4 a Standard Generation Interconnection Agreement with **Midway Solar LLC** for a 182-MW (net at the Point of Interconnection) project in Pecos County.

The SGIA has no firm commercial operation target date, with that coming a certain time after the achievement of other project milestones.

Midway Solar's Waymark Substation, needed to support this project, will be located in Pecos County, about 0.5 miles east of the intersection of Ranch Road 1901 and Co-op Road. The substation will interconnect with a 345-kV transmission line that runs for about five miles out of ETT's Bakersfield 345-kV Station.

The project will be made up of 65 inverters at 2.8 MW (ac) each, fed by the output from Hanwha Q Cells photovoltaic panels.

RELATED ARTICLES

AEP Texas North, ETT propose 138-kV line in McCulloch, Menard counties in Texas

Fox named as new president of Electric Transmission Texas

RELATED DOCUMENTS

ETT Midway Solar SGIA, Oct 4 2016

County proclaims Oct. 10 'Blaine McCallister Day,' and passes 190 megawatt solar farm zoning

Posted: Thursday, October 13, 2016 9:25 am

By Lisa C Hannon, managing editor | 0 comments

The Pecos County Commissioners Court met in regular session on Tuesday, Oct. 11, 2016, and immediately moved into the public hearing on designating the RZ Midway Solar Reinvestment Zone, under the provisions of the Texas Tax Code 312.401. The requested zone of approximately 1,400 acres, would be established in the northeast part of the county at approximately RR 1901 and Co-op Road near MCamey. The 190 megawatt project's life, according to Economic Development Commission CEO Doug May, would be 25-30 years. The applicant company is Hanwha Q CELLS USA Corp., out of Irvine, CA. The build-out is expected to begin in Fall 2017 and complete and come online one year later in Fall 2018.

"It's outside of the oil and gas market, and we're always trying to diversify," said May. The overview of the company requesting the reinvestment zone is available in the County Judge's office. At its peak, the project would employ as many as 300 construction workers. The designated zone will maintain the status as a reinvestment zone for five years, through Oct. 11, 2021.